

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Nora Mead Brownell, and Suedeene G. Kelly.

Stingray Pipeline Company, L.L.C

Docket No. EM06-2-000

ORDER GRANTING WAIVER

(Issued October 14, 2005)

1. On October 14, 2005 Stingray Pipeline Company, L.L.C. (Stingray) filed a petition for a temporary emergency waiver of sections 1.4 and 11 of the General Terms and Conditions of its FERC Gas Tariff (GT&C) which address Stingray's mechanism to account for lost and unaccounted for gas (LAUF) on its system. Because of damage from a recent hurricane Stingray intends to implement a modified operation of its system as early as October 15, 2004. Stingray states that its waiver request will permit a more reasonable allocation of its LAUF costs incurred during the period of modified operation of its system. Stingray states that it will continue under the modified operation until the Stingray processing plant returns to operation or the end of the 2005-2006 winter heating season. Stingray asks that the Commission rule on this motion by October 14, 2005. As discussed below, the Commission finds good cause to grant the requested waiver.

Background

2. Stingray states that on September 24, 2005, Hurricane Rita caused extensive damage to natural gas processing plants and onshore pipeline facilities located along the Louisiana Gulfcoast, as well as a portion of the Texas Gulfcoast. One of the damaged plants was the Stingray Plant, which provides gas liquids separation, dehydration, and compression at the terminus of the Stingray system. Stingray states that as a result of this damage, the Stingray Plant is not operational and, therefore, production that is captive to Stingray's system must remain shut-in until repairs to the plant are completed.

3. Stingray states that in an effort to mitigate the shut-in production on its system, Stingray will modify the historical operation of its system by utilizing an existing interconnection with the High Island Offshore System (HIOS) at HI-A 330 for deliveries of gas from Stingray into HIOS. Stingray states that by utilizing this interconnection, Stingray will have the ability to permit the production of up to approximately 240 million

cubic feet per day of gas supply that is currently shut-in. Stingray states that it intends to operate its system in this manner until the earlier of the date on which the Stingray Plant is fully operational or the end of the 2005-2006 winter heating season.

4. In order to implement its plan, Stingray requests that the Commission grant temporary waiver of sections 1.4 and 11 of its GT&C, as necessary, so that Stingray may replace its current mechanism for recovering lost and unaccounted for gas on its system. Stingray asserts that once it commences deliveries from Stingray into the HIOS system, only a small portion of Stingray's normal flows will be restored. That is because not all of Stingray's normal flows can reach Stingray's interconnection with HIOS. In addition, a large portion of production that is shut-in on the Stingray system is currently unable to come back on-line because of damage to production platforms and other production-related facilities. Stingray states that because its current mechanism for recovering LAUF quantities involves adjusting Stingray's fuel percentage on a prospective basis, shippers that had no ability (or only partial ability) to flow gas during the period in which this altered system operation is in effect could be required, under the current LAUF mechanism, to bear the cost of recovering, LAUF imbalances created during this period. Stingray asserts that this would be unfair to those shippers that are unable to flow gas during this period.

5. Moreover, Stingray asserts that because it has no experience in operating its system in the manner contemplated herein, it has no way of predicting the level of LAUF quantities. Thus, under the current prospective mechanism for resolving LAUF imbalances, not only could shippers with no ability to flow during the interim period be required to bear the costs of LAUF quantities created during the period, such costs could potentially exceed historical levels of LAUF quantities on the system.

6. Therefore, Stingray requests the instant waiver in order to resolve LAUF imbalances on a current basis, so that, with respect to each calendar month (or partial month), any LAUF imbalance that is created during the month will be resolved by allocating the value of the LAUF imbalance to each shipper who flowed gas during the month based on the shipper's *pro rata* portion of the overall quantity of gas shipped by Stingray for all shippers during the month. Stingray states that it will determine the value for the quantity in the LAUF account at the end of each applicable month by using the average monthly index price for the applicable month as calculated pursuant to section 11.3 and section 11.4 of the GT&C. Stingray states that the tiering portions of the cash-out mechanism set out in section 11.3 and 11.4 of its GT&C will not be applicable in the valuation of a shipper's imbalance (including the shipper's portion of LAUF), and all imbalance cash-outs at the end of a month will be at a 100 percent average monthly index price.

7. Stingray proposes to return to its tariff-approved mechanism at the same time as it returns to the historical operation of its HIOS interconnection.

Discussion

8. The Commission finds good cause exists for granting the requested waiver. Stingray has proposed a reasonable method of permitting production of significant natural gas supplies that would otherwise remain shut-in due to damage to the Stingray Plant as a result of Hurricane Rita. The requested waiver of sections 1.4 and 11 of its GT&C will allow Stingray to allocate its LAUF costs to those shippers who benefit from the revised operation of Stingray's system and avoid an inequitable allocation of those costs to shippers who are unable to flow gas during this period.. The Commission intends to do everything it can to help alleviate the problems caused by Hurricane Katrina and the subsequent Hurricane Rita, and believes that its actions here are consistent with that goal. At the same time, it does not wish to act precipitously. Therefore, if any entities believe themselves to be adversely affected by our action here we urge them to make prompt filings with us, so that we can address their concerns.¹

The Commission orders:

Stingray's request for waiver of its tariff is granted as discussed in the body of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

¹ Because of the need to respond quickly to the emergency situation in the Gulf Coast, we are issuing this order without prior notice, but it will be subject to rehearing.